



## County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

November 22, 2011

To: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", written over a horizontal line.

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

### REVISED JAIL FACILITIES PLAN (ITEM NO. 73, AGENDA OF NOVEMBER 29, 2011)

On October 18, 2011, your Board directed this office and the Sheriff's Department (Sheriff) to explore less costly alternatives to the Revised Jail Facilities Plan currently under consideration by your Board, including a lease-leaseback arrangement with a private contractor or developer and contracting with other entities for use of jail beds.

In response to your order, we applied the cost analysis model utilized in the evaluation of developer lease-leaseback proposals that were submitted for the Hall of Justice (HOJ) Rehabilitation Project to the cost structure proposed for the Revised Jail Facilities Plan. We also investigated the possibility of contracting with publically-owned Community Correctional Facilities (CCFs) to increase the number of available jail beds.

Our analysis concludes that both alternatives would result in higher costs than the Revised Jail Facilities Plan. Based upon the HOJ Project model, the overall cost of a lease-leaseback arrangement with a private contractor or developer would exceed the estimated cost of the Revised Jail Facilities Plan by a minimum of \$505 million. Likewise, the potential benefit of contracting with CCFs would be constrained by the limited availability of beds and a daily cost per inmate that exceeds the Sheriff's daily inmate cost.

Based on the results of such analysis, we continue to recommend initiating development of the Revised Jail Facilities Plan. It is important to note, however, that approval of the recommended actions will only authorize preparation of the environmental impact reports and the provision of architect/engineering services. It does not represent approval of the total Project cost estimate of \$1.4 billion.

*"To Enrich Lives Through Effective And Caring Service"*

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### **Limited Initial Costs**

The contracts for the environmental impact reports are estimated to cost \$712,386. The recommended architect/engineering services contract is for a maximum cost of \$13.2 million. Only \$5.7 million, however, is necessary at this time to proceed with programming, an assessment of existing conditions, and preliminary design services. The initiation of these services will allow the CEO, Public Works, and Sheriff to develop the Plan's concepts and explore the feasibility of various programmatic and capital design options that could provide additional alternatives to address the impacts of the AB 109 Realignment Program and enhance the management of current and projected jail populations. Such options will include a review of:

- programmatic alternatives to incarceration;
- alternative facility locations;
- alternative facility types, sizes, and configurations;
- varying design and construction sequencing; and
- project financing options.

We will report back to your Board with the results of this review within six months following approval of the recommended architect/engineering services contract and issuance of the notice to proceed for the initial \$5.7 million in design services.

The remaining \$7.5 million of the recommended architect/engineering services contract will support the future development of the design-build proposal/selection process, construction administration, and optional services and will not be necessary until your Board has approved the Project's final program, scope, and cost estimate.

### **Offset Financing Costs**

Concern has also been raised regarding the estimated \$1.4 billion cost of the Revised Jail Facilities Plan and the probability of realizing operating savings that are projected to offset debt service on bonds issued to finance the Plan. The proposed financing plan is structured to optimize the use of existing resources and anticipated savings to offset financing costs and defer any impact to the General Fund to 2019-20.

Under the proposed Plan, bonds would be issued in four annual series, between 2014-15 and 2017-18, to fund replacement of Men's Central Jail on a pay-as-you-go basis. Principal and interest payments on the bonds would commence in 2016-17 and increase incrementally each year through 2018-19 as the four series of bonds are issued. Upon completion of the bond issues, annual debt service payments would be maintained at a fixed amount of approximately \$82.1 million for 30 years.

Over the term of the bonds, however, operating savings from the Sheriff's budget are anticipated to more than offset the debt service due on the bonds. Such savings are comprised of:

- Annual debt service payments of \$36.3 million on currently outstanding bonds that are scheduled to mature in 2012-13;
- Maintenance and utility savings attributable to the efficiency of the proposed jail design estimated at \$7.4 million in 2020-21 (first full year following opening of the new Men's Central Jail); and
- Staff savings resulting from the drastic reduction in required inmate movement and a more efficient allocation of staff attributable to the proposed podular design, estimated at \$23.7 million in 2020-21. The proposed staffing plan and attendant savings have been independently validated by Crout & Sida Criminal Justice Consultants, Inc.

The \$36.3 million in savings from debt service payments that will expire in 2012-13 will be available to offset new debt service requirements in 2013-14 and are expected to be sufficient to fully offset debt service on bonds issued to finance the new Men's Central Jail through 2018-19.

Upon completion of the new Men's Central Jail, the projected maintenance, utility, and staff savings, combined with the aforementioned debt service payment savings, are expected to offset approximately \$51.4 million of the \$82.1 million debt service payment due in 2019-20. The amount of offsetting savings is expected to increase to \$67.3 million in 2020-21 and will continue to increase each year; fully offsetting the annual debt service payment in 2035-36 and producing a net savings each year thereafter. Over the full term of the bonds, it is anticipated that operating savings will result in a net savings to the General Fund of \$129.7 million.

### **Proposed Revisions to the Current Board Letter**

The performance of a complete and thorough analysis of potential alternatives to the Revised Jail Facilities Plan will require initiation of the recommended architect/engineering services contract. Further, your Board has raised concerns over whether the projected operating savings will actually be generated and applied to offset debt service costs. To address these issues, we plan to revise the existing Revised Jail Facilities Plan recommendations to:

- Limit the authorization to proceed under the recommended \$13.2 million architect/engineering services contract to \$5.7 million in programming, existing condition assessment, and preliminary design (scoping document) services;

- Direct the CEO, Public Works, and Sheriff to investigate the feasibility of programmatic and capital design options that will provide alternatives to address the impacts of the AB 109 Realignment Program and enhance the management of jail populations and report back within six months;
- Require Public Works and the CEO to return to your Board to authorize Public Works to proceed with the remaining \$7.5 million in recommended architect/engineering services; and
- Direct the CEO to annually transfer the currently projected operating savings from the Sheriff's operating budget to a fund, or account, that is established solely for repayment of debt service on bonds issued to finance the Revised Jail Facilities Plan.

The existing Board letter that is scheduled for the November 29, 2011 agenda will be withdrawn. The revised Board letter with the recommendations outlined above will be recirculated and filed for the December 20, 2011 agenda.

### **Community Correctional Facilities**

In response to your Board's order, the Sheriff explored the possibility of contracting jail bed space with publicly operated CCFs to address the need for additional bed space for inmates resulting from the passage of Assembly Bills 109 and 117 (Criminal Justice Realignment). The County is precluded from contracting with private correctional facilities under the California Penal Code. As a result, the Sheriff's review was limited to publicly operated CCFs.

Currently, three CCFs are located within proximity of Los Angeles County that could be utilized. These facilities can only accommodate, however, an aggregate total of 1,588 beds: Claremont CCF (514 beds); Shafter CCF (458 beds); and Taft CCF (526 beds). Although these surveyed facilities could absorb a small portion of the Sheriff's current population, it should be noted that the inmates would need to meet the following criteria:

- Only sentenced inmates;
- Limited to inmates requiring minimal medical care;
- Limited to inmates requiring no mental health care; and
- Limited to inmates requiring no psychotropic medications.

Such constraints, combined with an average sentence of two to three years for the State inmates that are being transferred to County custody, severely limit any long-term, positive impact to the County's jail capacity.

Housing costs per eligible inmate for these CCFs, excluding medical and food expenses, range from \$56.00 to \$62.00 per day. The Sheriff's contracted daily inmate billing rate, excluding medical and food expenses, at Men's Central Jail is \$55.28 per inmate.

### **Public-Private Partnership**

In order to determine if a public-private partnership could offer a cost-effective alternative for property development and Project financing, Public Works employed the cost analysis model that was utilized to evaluate proposals submitted by developers for the HOJ Project to develop estimates of the Project and financing costs that would be incurred under a lease-leaseback arrangement.

Based on this analysis, Public Works estimates that a comparable developer lease-leaseback arrangement for the Revised Jail Facilities Plan would cost \$1.6 billion. Financing (interest) costs over a 30 year term were estimated at \$1.5 billion, resulting in a total cost of \$3.2 billion. Compared to the overall Project and financing cost proposed for the Revised Jail Facilities Plan of \$2.7 billion, a developer lease-leaseback arrangement is estimated to cost an additional \$505 million, as summarized in the following table.

	County Estimate	Developer Leaseback	Variance
Project Cost Estimate	\$1,409,000,000	\$1,635,000,000	\$ 226,000,000
Interest Cost over 30 Year Term	\$1,248,000,000	\$1,527,000,000	\$ 279,000,000
Total Project and Financing Cost	\$2,657,000,000	\$3,163,000,000	\$ 505,000,000

Based on this analysis, pursuit of a private lease-leaseback arrangement is not recommended at this time. As previously stated, however, we will review the feasibility of other alternatives and report back to your Board.

I am available to discuss this with you at your convenience, or your staff may contact Jan Takata, of this office, at (213) 974-1360.

WTF:RLR:DJT  
DKM:TJ:mc

c: Executive Office, Board of Supervisors  
County Counsel  
Public Works  
Sheriff